

**MINUTES**  
**Citizens' General Obligation Bond Oversight Committee Meeting**  
**May 20, 2004**  
**Room 408, City Hall**  
**San Francisco, CA 94102**

**1. Call to Order and Roll Call**

Chair Jue called the meeting to order at 8:30 am. Roll call was taken and it was noted that there was a quorum.

**2. Discussion and Possible Action to Approve Minutes**

Ms. Singer moved the motion to approve the minutes of the April 22, 2004 meeting and Mr. Yockey seconded the motion. The minutes were adopted without objection.

There was no public comment.

**3. Presentation of the Recreation and Park Department Regarding Their General Obligation Bond Funded Projects.**

Yomi Agunbiade, Acting General Manager, gave a presentation and status update of the Department's Capital Improvement Program, including the 2000 Neighborhood Park Facilities Improvement Bond. Mr. Agunbiade described the 10-year, \$400 million capital plan established in 1998-99, of which the Department has received \$264.5 million. Mr. Agunbiade advised that there is a current estimated funding gap of \$56.14 million in the 2000 Neighborhood Parks bond program. In order to address this shortfall the Department has cut the scope of certain projects and has placed certain other projects on hold until additional funds are secured. Mr. Yockey asked that the Department provide to the Committee the total estimated amount for projects that are placed on hold for lack of funding. Upon further questioning from Mr. Yockey, Mr. Agunbiade stated that (i) \$7.72 million of bond funds are being reallocated from projects on hold to other active projects (page 8 of Accountability report), (ii) the Department is using 3% for construction cost escalation and (iii) depending upon the project the Department sets aside 15% as design contingencies and 10 – 15% for construction contingencies.

In response to an inquiry from Ms. Singer, Mr. Agunbiade stated that \$24 million of the shortfall is attributable to the Department's loss of certain Open Space funds over the 4 years of the bond program.

Ms. Jue expressed her concern about why the work that was generated to comply with the "new" ADA regulations and the related expenses had not been foreseen. Mr. Agunbiade explained that these were not new requirements but rather that they arose in connection with the start of new projects. Mr. Agunbiade went on to say that he

has been spending time with the appropriate agencies, e.g., ADA coordinator and DPW, and the Department has complied with all requirements.

Upon inquiry from Mr. Hentz, Controller Harrington stated that the Board can make policy decisions and that there is no requirement in the Charter for them to provide funding. Mr. Harrington explained to the Committee the \$400 million originally estimated is \$456 million at this time. However, we do not know what the actual number would be since many projects have not started yet.

The question was raised as to whether there were 210 total projects or 230. Mr. Agunbiade said he remembers 230 projects being presented to the Capital Improvements Advisory Committee. Mr. Harrington will confirm the number.

Ms. Jue observed that it is hard to compare projects by supervisorial districts as presented in the department report. In the NP Bond Accountability Report, Ms. Jue counted 51 projects while Mr. Agunbiade cited 41. Ms. Mary Hobson of the Department explained that the total number of projects is difficult to project because some of these are broken into multiple phases and at other times in the process they become one project. She said that their current accounting practice calls for one line per project. Ms. Jue stated that the information provided by the Department in 2003 was incomplete and inquired as to why. Mr. Agunbiade said that he could not answer that. Upon the request of Ms. Jue, Mr. Agunbiade assured the Committee that he and the Department will work to minimize such discrepancies and will be accountable for the data they provide to the Committee. Mr. Agunbiade added that the information currently submitted to the Committee is complete and further explained the Department's efforts towards transparency and accountability in the administration of the bond program.

Mr. Harrington said that because of the concerns on the spending on this bond, the Neighborhood Parks Council and others have asked the Controller's office to do a fairly quick review and to verify the information that is provided. Mr. Harrington anticipated that his office would perform the short review as soon as the budget was completed, with a full audit in the fall.

Ms. Singer requested that for the sake of comparison before each project moves forward, a baseline budget be set as a "stake in the ground." Ms. Singer asked if there are contingency plans in place in case these grants and gifts are not received. Mr. Agunbiade explained that, based on past relationships with the contributors, agreements made and current discussions, he feels confident that the promised gifts and grants will be received. Aside from that there is no written contingency plan but a course of action has been informally reviewed and discussed with the Commission on how they would go forward. Mr. Agunbiade agreed with Ms. Singer's suggestion to put the contingency plans in writing, subject to the Commission's approval.

Mr. Micheau expressed concerns about the cost overruns and the incomplete information provided to the Committee in 2003. Mr. Micheau asked why no escalation was built into the initial budget projections. Mr. Agunbiade confirmed that no escalation was built in and had no answer for why the prior Department management did not build in an escalation factor. Mr. Agunbiade said that they have created various controls and mechanisms to oversee budgeting and ensure proper projections and escalations.

In response to an inquiry from Mr. Cunnie about community involvement and a question from Ms. Von Rock-Ricci about how do they decide which projects to put on hold, Mr. Agunbiade stated that the Department prioritizes based on the phase of the project, the neediness of the project area, and whether the project has been committed with bond funding. The Department has proposed to put 19 projects on hold until additional funds are identified. Mr. Agunbiade recognized that there had been public relations difficulties in the past but stated that the Department is seeking community input regarding prioritization of the projects affected by the shortfall.

Ms. Jue asked for future information to be presented in a format showing historical data, current budget, and actual expenditures, and a table of bond financed projects, showing projected completion date, current budget, and current estimated cost for completion. Mr. Agunbiade concurred that they will provide the above information in the future. Mr. Agunbiade further explained that once a project reaches the design phase, the Department is pretty confident that they could keep the schedule.

Ms. Singer asked if the Department had the capability and systems to track timing and money. Mr. Agunbiade said the Department is using automated systems.

### **Public Comment**

Ms. Isabel Wade, Chair of PROSAC and Executive Director of the Neighborhood Parks Council, thanked the Committee for their attentiveness and their time. Ms. Wade expressed gratitude that Mr. Agunbiade had been named acting GM because of his responsiveness to the public. Ms. Wade expressed concern about the Department's accounting mechanisms and the level of detail provided in their reports.

Ms. Wade recommended that the Committee maintain a focus on the Department's planning. Ms. Wade also expressed concern that the philanthropic gift revenues would be earmarked for only the big signature parks and that as a result the smaller parks in underserved neighborhoods like Bayview/Hunters Point are not provided with the same level of resources.

Ms. Wade asked the Committee to look at all sources of money, citing the example of Harding Park golf course as one project where funding for low-income parks was diverted elsewhere, despite reassurances that such construction would not hinder park

development. Ms. Wade said she would be forwarding questions to the Committee and to Mr. Agunbiade regarding the projects being put on hold.

Ms. Jue explained to Ms. Wade the Committee does not have the funding to undertake audits and that the Committee's Charter mandate is limited to bond proceeds. Ms. Jue did observe that under the Committee's expanded Proposition C jurisdiction, it might be able to cause some auditing or oversight of the non-bond funding sources to be done.

- 4. Discussion and Possible Action Regarding the New Duties of the Committee as a Result of the Charter Amendment Adding to the Duties of the Controller and the Committee.**
- 5. Discussion and Possible Action Regarding Changes to the Committee Work Plan as a result of the New Duties.**

Mr. Harrington gave a presentation on the Controller's responsibilities under Proposition C, which designates the Controller as the City Services Auditor (CSA). Mr. Harrington said the initiative becomes effective July 1, 2004 and operates to set aside 0.2% of the annual City budget for this initiative. The overall requirements under this initiative would be to create a Services Audit unit; evaluate quality and quantity of the City's services; compare and provide data to the public; audit and publish services/streets/parks/sidewalks standards; evaluate management and employment practices; conduct performance audits; oversee contracting procedures and RFP standards; operate a whistleblower hotline and website; and assess progress on customer service plans. Mr. Harrington described in detail how the Controller's office plans on implementing these requirements. Mr. Harrington said that between the Board Budget Analyst and CSA, his office would try to audit each City department every five years.

In response to inquiries from the members, Mr. Harrington said that it would be up to them to decide how much they want to be involved. Mr. Harrington suggested that the Committee allow at least one hour per each quarterly meeting for CSA, and any time over that would be up to the Committee. Mr. Harrington saw the Committee's role as assisting CSA by looking at the data and determining if the information is useful, providing a public hearing for audit reports, and accompanying the auditors on inspections if the members so choose.

Ms. Singer observed that as a member of the Civil Grand Jury she sees a lack of continuity in audit trail. Mr. Harrington said that he would look into whether oversight on the implementation of the civil grand jury's recommendations could be incorporated as a CSA function.

There was no public comment.

**6. Discussion with the Deputy City Attorney and Possible Action on Revising Committee Bylaws and Proposition E Ethics Reforms**

Regarding the Committee bylaws, Ms. Jue suggested that rather than have a public discussion on a member's excused absence, the bylaws be drafted to leave the question of whether or not an absence is excused to the Chair's discretion. Deputy City Attorney Martin will follow up on this.

Regarding the Committee's Statement of Incompatible Activities, Ms. Jue suggested that there should be a disclosure requirement relating to the ownership of general obligation bonds. Then, it will be up to the Committee as a whole to decide whether a member should be excused from participating, upon advice from the Deputy City Attorney. Mr. Hentz asked if these standards for general obligation bonds apply to the City Services audits as well. Mr. Martin said that he has included both Committee functions together in the Statement rather than listing them separately.

Mr. Micheau asked if a cleanup was necessary to eliminate reference to 2003 meetings in the bylaws. Mr. Martin responded that it is good to have the historical data. Ms. Jue agreed to leave it in the bylaws. Mr. Micheau inquired as to whether the bylaw amendment had to be adopted in advance of the Audit Review Board functions taking effect on July 1. Mr. Martin said that there would not be any procedural problems if the bylaws were not adopted in advance of that date.

**7. Discussion and Possible Action Regarding Agenda Items for Future Meetings**

The Committee agreed on the following agenda for the July meeting:

1. Presentation on the California Academy of Sciences and Steinhart Aquarium bonds by the Dept. of Rec and Park
2. Controller's Audit Plan
3. Brief report by Karen Ribble on two older bonds
4. Committee Work plan
5. Committee Bylaws and Statement of Incompatible Activities

Since two members will not be available to meet on the regular meeting date, July 22<sup>nd</sup>, it was agreed that staff will look for a meeting room on July 15<sup>th</sup> and July 29 when most members are available to meet.

In reference to the future work plan for the Committee, Ms. Singer asked if there were departments seeking new bond issues. Mr. Harrington said that there are two potential bond measures for the November 2004 ballot: housing bonds and cultural facilities bonds.

In regards to bond sales activity, Ms. Ribble said there are Laguna Honda and Recreation and Park bonds approaching a possible sale date during the summer.

There was no public comment.

**8. General Public Comment**

None

**9. Adjournment**

The meeting was adjourned at 12:35 P.M.